

KEYSPAN ENERGY DELIVERY NEW ENGLAND
D.T.E. 05-68

SECOND SET OF INFORMATION REQUESTS OF THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY TO
KEYSPAN ENERGY DELIVERY NEW ENGLAND

DTE 2-25

Date: February 24, 2006

Respondent: Leo Silvestrini

- Q. On page 43 of the Company's filing, KeySpan states that "The high-demand scenario assumes that household growth and employment rates will be 50 percent greater than those forecasted in the base-case scenario."
- (a) Using historical household and employment data over the past twenty years, please assess the reasonableness of this assumption. Indicate the source(s) of your data.
 - (b) Identify the last time KeySpan experienced such growth rates in the Company's various service territories.
 - (c) If the high-demand scenario is not supported by the Company's historical experience, what effect will that have on the Company and its customers in terms of resource planning? Explain.
- A. (a) Please see Attachment DTE 2-25 (a) which presents twenty years of historical growth rates for Massachusetts' households and employment. The data shows that the household growth rate over the twenty-year period, 1986 through 2005, averaged 0.88% with a standard deviation of 0.37%. The average growth rate plus 50% is therefore 1.32%. This compares to a maximum growth rate experienced of 1.40%, and the average plus one standard deviation of 1.25%.
- The Attachment also shows that the employment growth rate over the twenty-year period averaged 0.47% with a standard deviation of 2.37%. However, this data includes years when there was negative growth in employment (i.e. Massachusetts experienced a recession) which skews the average downward and increases the size of the standard deviation. Because the projection used by the Company to prepare its forecast showed continuous growth (i.e. no

recessions), the Company performed a similar analysis on years that experienced only positive growth in employment. For these years, employment growth averaged 1.92% with a standard deviation of 0.74%. The average growth rate plus 50% is therefore 2.88%. This compares to a maximum growth rate experienced of 2.65% and the average plus one standard deviation of 2.66%.

Based on these results, the Company concludes that the assumption to increase the growth rates on households and employment by 50% over the base case for the high case scenario is reasonable.

- (b) In the High Demand Case (Chart III-B-14), the Company assumed household growth rates to average 1.43% and employment growth rates to average 0.69%. As shown on Attachment DTE 2-25 (a), KeySpan experienced a household growth rate of 1.40% in 2003, and an employment growth rate of 0.68% in 2005.
- (c) Please see the Company's response to DTE 2-25 (a) above. The high demand scenario is supported by the historical data.